

**TOWN OF GLASTONBURY**  
**CAPITAL IMPROVEMENT PROGRAM CRITERIA**

**Purpose**

In recognition that buildings, infrastructure, technology and major equipment are the physical foundation for providing services to the residents of the Town of Glastonbury, a multi year Capital Improvement Program (CIP) is prepared and reviewed annually. The purpose of the plan is to budget for the acquisition, replacement or renovation of major fixed assets. These items are generally not of a recurring nature and not included in the regular operating budget process. Careful planning during this process is critical to the procurement, construction, and maintenance of capital assets to meet the needs and activities of the Town.

A comprehensive capital plan will help ensure the future financial health of the Town and continue delivery of services to citizens and businesses.

Capital/Fixed Assets are categorized as follows:

- Land
- Land Improvements
- Buildings and Improvements
- Machinery and Equipment
- Infrastructure

Capital/Fixed Asset items to be included in the Town's annual operating budget:

- Fixed assets that cost less than \$75,000
- Fixed assets that are of a recurring nature and acquired each year

Capital/Fixed Asset items to be included in the Town's Capital Improvement Program (CIP):

- The acquisition of and improvements to assets that cost \$75,000 or more and,
- Have an anticipated life expectancy of ten years or more.

This CIP provides for a five-year plan of acquisition, renovation, replacement and construction of major Capital Improvements and includes a planning, budgetary and financing process. The following Capital Improvement items are to be included in this CIP:

Most non-recurring major expenditures are the result of the Town's acquisition of capital items that form the physical foundation for municipal services such as land, buildings, infrastructure improvements, machinery and equipment. However, there can be major expenditures for non-capital items that can be anticipated on a recurring and periodic basis and require significant funding. Examples include property revaluation as required by Connecticut General Statutes, the annual road paving program, technology programs and systems, and other similar items. Such requests shall be reviewed as part of the annual Capital Improvement Program (CIP) process.

**CAPITAL IMPROVEMENT PLANNING PROCESS**

**Identification of Needs**

Annually, each department, board or agency shall submit a proposed five year Capital Improvement Program (CIP) to the Town Manager in accordance with the CIP schedule. Requested items shall include acquisition of capital assets, new construction, major renovations and improvements to municipal facilities, purchase of machinery and equipment and other items that satisfy the CIP criteria. Capital improvement proposals received outside of the formal CIP process from departments, citizens, agencies or organizations shall be forwarded to the Town Manager for review and recommendation to the Town Council as applicable.

Items that are to be included in the Capital Improvement Program include the following with an estimated cost of \$75,000 or more and have a useful life of not less than ten years:

- Purchase of Land and Development Rights
- Construction of New Buildings
- Land and Building Improvements and Renovations
- Machinery and Equipment
- Infrastructure Improvements (streets, sewers, sidewalks, etc.)
- Vehicles and Construction equipment
- Feasibility Analysis/Design/Cost estimates and other professional services relative to anticipated major projects
- Certain recurring expenditures/projects that due to their nature and anticipated cost are best appropriated through the CIP (e.g. revaluation or major software acquisition)

### **Capital Improvement Program Timing/Schedule**

Capital Improvement items are considered on the basis of need and value to the community. In general, the CIP will be prepared, presented and acted upon in accordance with the following schedule:

No later than January 29	Town Manager shall provide a five year planning document to the Town Council summarizing department proposals for capital improvements, a recommendation of items to be included in the CIP, project priorities for the following fiscal year and proposed method/sources of funding for all recommended projects.
On or about February 1	Town Council shall recommend preliminary capital improvement priorities to the Board of Finance
On or about February 15	Board of Finance shall recommend CIP to Town Council
No later than March 27	Town Council adopts capital program for the following fiscal year

The Town Manager will provide the Town Council periodic status reports throughout the year and present detailed project status reports or design plans on an as needed basis in accordance with the applicable project schedule.

### **Estimated Costs**

Costs shall be estimated for all items requested as part of the five-year Capital Improvement Program. Costs for items requested in years two through five shall anticipate an escalation rate to be determined by the Town Manager at the beginning of the CIP process.

The steps for **major** construction projects shall be recommended by the Town Manager and will generally include the following:

- A. Evaluation/feasibility phase, as necessary
- B. Preliminary design and cost estimating phase
- C. Final Design and construction

Subject to the specifics of the project, funding for steps A and B may be combined in the initial request. Cost estimates should include preliminary design fees, final design fees, architectural fees, construction management fees, construction costs, acquisition costs, contingency, escalation, legal and financing fees, including short term interest, and any other costs applicable to the project. The scope and estimated costs of in kind services shall be identified and presented along with the initial cost estimates for the project.

## CAPITAL IMPROVEMENT BUDGETARY PROCESS

### Funding

The Town Council, as part of the annual operating and capital budget process, will review the capital projects recommended by the Town Manager. The Town Manager will develop a recommended financing plan, with options, based on total project costs, cash flow, projected method(s) of financing the projects, Capital Reserve fund projections, mill rate and debt service impact on future operating budgets. The Town Council shall review these projections when developing project priorities and the recommended capital program for the following year. The goal is to effectively balance the total of the annual Capital Reserve Transfer and Debt Service requirements to minimize fluctuations in the mill rate in accordance with established guidelines set forth in this document.

An annual financing plan for the multi-year capital improvement plan is critical to the CIP process. Factors to be considered shall include:

- Anticipated revenue and expenditure trends and the relationship to multi-year financial plans
- Cash flow projections of the amount and timing of the capital improvement projects
- Compliance with all established financial policies
- Legal constraints imposed by Town charter or State statute
- Evaluation of various funding alternatives
- Reliability and stability of identified funding sources
- Evaluation of the affordability of the financing strategy, including debt ratios, future budgets and mill rate.

The Capital Improvement Program shall generally be funded as follows:

- A. Capital Reserve Fund** – The Town will use the Capital Reserve Fund as the primary funding source for capital projects to be funded on a pay as you go basis.

Based on factors referenced herein the Town Council shall consider as a general guideline a **minimum** annual appropriation and transfer to the Capital Reserve Fund in an amount equivalent to two percent (2%) of the current adopted operating budget rounded to the next highest \$50,000.

Annually the Board of Finance will review the General Fund undesignated fund balance, Capital Reserve undesignated fund balance and other funding requirements and may recommend a transfer of additional funds to the Capital Reserve. The goal of the Town is to maintain an unreserved and undesignated balance in the Capital Reserve Fund of an amount equivalent to \$1,000,000, except as needed to meet emergencies. The reserve policy will be reviewed annually and adjusted accordingly as part of the CIP process. Factors to be considered include evaluation of the projects in the multi-year plan, the method of financing and their effect on projected mill rates.

- B. Donations/Grants/Loans** – Anticipated contributions from various organizations or groups towards certain Capital Improvement projects, grants and loans will be used in financing the CIP to determine final estimated net cost to the Town.
- C. General Obligation Bonds** – Projects that are anticipated to have a significant expenditure of funds should be considered for referendum and funded through the issuance of general obligation bonds that shall be authorized and issued in accordance with Section 312 of the Glastonbury Town Charter.

### Debt Limitations

As debt is a primary source of funding needs for major improvements, a sound credit rating is a very valuable asset for Glastonbury. To preserve a strong credit rating the Town will maintain debt burden ratios as follows:

Ratio of net debt to equalized full value	not to exceed 3.5%
Debt Service as a percent of budgeted expenditures	not to exceed 10%

These Capital Improvement Program guidelines will be updated annually by action of the Town Council upon recommendation by the Board of Finance.

### **Referendum Threshold – Expenditures of Cash Resources**

In accordance with Section 312 of the Glastonbury Town Charter projects involving the issuance of debt require authorization at public referendum.

The purpose of this section is to establish a Council policy for approval of Capital projects involving the appropriation of significant cash resources. Such funding would typically be appropriated from the General Fund and Capital Reserve Fund and could involve grants, community donations and other funding sources. A referendum threshold is established under this section as a general Council policy for cash funded Capital projects.

The referendum threshold shall be defined as cash funded projects which exceed two percent (2%) of the adopted Town, Education, and Debt & Transfers budget, rounded to the next highest \$50,000. Generally, projects exceeding the Town's referendum threshold will be submitted to public referendum. However, in establishing this policy, the Council recognizes there will be circumstances and conditions for which a public referendum is not practical or in the best interests of the community. Examples include Capital Improvements involving:

- exigent circumstances affecting the health or safety of the community;
- grant funding and community donations which reduce the net project cost below the applicable threshold;
- care and maintenance of Town buildings, roads, bridges, facilities, sanitary sewers and other infrastructure;
- projects that are of a recurring nature and may be funded on an annual basis for which cumulative funding could exceed the referendum threshold. Examples include the annual road paving program; technology systems and upgrades; infrastructure improvements; and other projects and items.

Projects will not be phased over a number of years to circumvent the referendum threshold with the exceptions noted herein.